In brief

Digital India: Technology to transform a connected nation

India's digital surge is well under way on the consumer side, even as its businesses show uneven adoption and a gap opens between digital leaders and other firms. This report examines the opportunities for India's future digital growth and the challenges that will need to be managed as it continues to embrace the digital economy.

— India is one of the largest and fastest-growing markets for digital consumers, with 560 million internet subscribers in 2018, second only to China. Indian mobile data users consume 8.3 gigabits (GB) of data each month on average, compared with 5.5 GB for mobile users in China and somewhere in the range of 8.0 to 8.5 GB in South Korea, an advanced digital economy. Indians have 1.2 billion mobile phone subscriptions and downloaded more than 12 billion apps in 2018. Our analysis of 17 mature and emerging economies finds India is digitising faster than any other country in the study, save Indonesia—and there is plenty of room to grow: just over 40 percent of the populace has an internet subscription.

— The public and private sectors are both propelling digital consumption growth. The government has enrolled more than 1.2 billion Indians in its biometric digital identity programme, Aadhaar, and brought more than 10 million businesses onto a common digital platform through a goods and services tax. Competitive offerings by telecommunications firms have turbocharged internet subscriptions and data consumption, which quadrupled in both 2017 and 2018 and helped bridge a digital divide; India's lower-income states are growing faster than higher-income ones in internet infrastructure and subscriptions. Based on current trends, we estimate that India will increase the number of internet users by about 40 percent to between 750 million and 800 million and double the number of smartphones to between 650 million and 700 million by 2023.

— Our survey of more than 600 firms shows that digital adoption among businesses has been uneven across all sectors. Digital leaders in the top quartile of adopters are two to three times more likely to use software for customer relationship management, enterprise resource planning, or search engine optimisation than firms in the bottom quartile and are almost 15 times more likely to centralise digital management. Firm size is not always a differentiator: while large firms are far ahead in digital areas requiring large investments like making sales through their own website, small businesses are leapfrogging ahead of large ones in other areas, including acceptance of digital payments and the use of social media and video conferencing to reach and support customers.

— Digital applications could proliferate across most sectors of India's economy. By 2025, core digital sectors such as IT and business process management, digital communication services, and electronics manufacturing could double their GDP level to $355 billion to $435 billion. Newly digitising sectors, including agriculture, education, energy, financial services, healthcare, logistics, and retail, as well as government services and labour markets, could each create $10 billion to $150 billion of incremental economic value in 2025 as digital applications in these sectors help raise output, save costs and time, reduce fraud, and improve matching of demand and supply.

— The productivity unlocked by the digital economy could create 60 million to 65 million jobs by 2025, many of them requiring functional digital skills, according to our estimates. Retraining and redeployment will be essential to help some 40 million to 45 million workers whose jobs could be displaced or transformed.

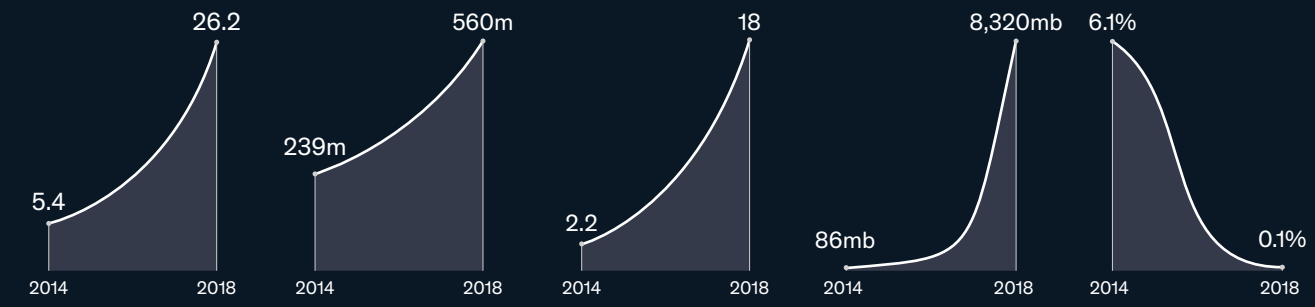
— New digital ecosystems are already visible, reshaping consumer-producer interactions in agriculture, healthcare, retail, logistics, and other sectors. Opportunities span such areas as data-driven lending and insurance payouts in the farm sector to digital solutions that map out the most efficient routes and monitor cargo movements on India's highways. In healthcare, patients could turn to teleconsultations via digital voice or HD video, and in retail, brick-and-mortar stores would find value from being part of e-commerce platforms.

— All stakeholders will need to respond effectively if India is to achieve its digital potential. Executives will need to anticipate the digital forces that will disrupt their businesses and invest in building capabilities, including partnering with universities and outsourcing or acquiring talent to deliver digital projects. Governments will need to invest in digital infrastructure and public data that organisations can leverage even as they put in place strong privacy and security safeguards. Capturing the gains of the digital economy will require more ease in creating, scaling, and exiting startups as well as policies to facilitate retraining and new-economy jobs for workers. Individuals will need to inform themselves about how the digital economy could affect them as workers and consumers and prepare to capture its opportunities.

Digital India

Unlocking the potential of technology

Digital usage in India is soaring as costs tumble



By 2025, digital could transform India's economy, sector by sector

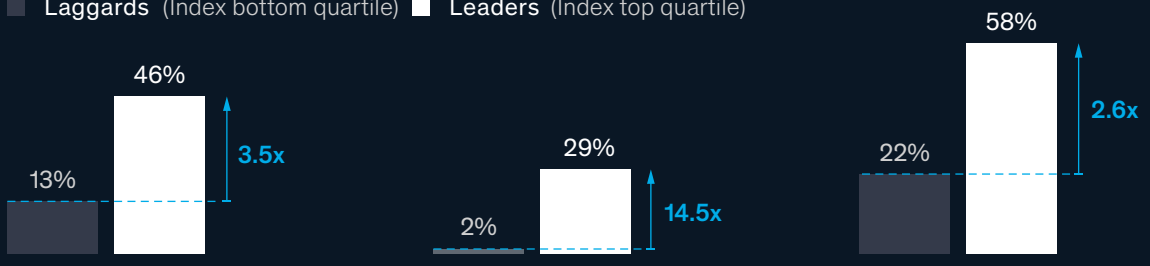
(Values show upper limit of an estimated range)

Newly digitising sectors will see significant value emerge.

Core digital sectors[1] have the potential to more than double by 2025.

The MGI India Firm Digitisation Index shows digitally advanced firms are pulling ahead of their peers.

Laggards (Index bottom quartile) Leaders (Index top quartile)



[1] IT business process management, digital communication services, and electronics manufacturing.

Source: McKinsey Global Institute analysis

McKinsey Global Institute